

California Gambling Control Commission

Initial Statement of Reasons

Regulations on initial and renewal license applications; required forms.

(Chapter 3 of Division 18 of Title 4 of the California Code of Regulations)

Background

Senate Bill 8 (Lockyer; Statutes of 1997, Chapter 867) substantially revised California gambling statutes, replacing the former Gaming Registration Act with a new Gambling Control Act (“GCA” or “Act”). The new GCA set up a new licensing and regulatory scheme.

The Commission adopted these regulations on an emergency basis in late 2003 in order to implement Title 4, CCR, section 12250, which required (1) each application for renewal of a state gambling license to be accompanied by an application fee and a deposit to cover the costs of a background investigation and (2) all persons whose names are endorsed upon the state gambling license to submit separate applications.

The GCA has given the Commission and the Division of Gambling Control (“Division”) the responsibility of protecting the public by ensuring that licensed gambling establishments are free from criminal and corruptive elements. Therefore, every person who has involvement in a gambling establishment as described in Business and Professions Code (“B & P”) section 19850 shall apply for and obtain a license. The Commission may issue a license to individuals who it determines are qualified based on the language in B & P Code section 19857, which states:

“[n]o gambling license shall be issued unless, based on all of the information and documents submitted, the commission is satisfied that the applicant is all of the following: (a) A person of good character, honesty, and integrity. (b) A person whose prior activities, criminal record, if any, reputation, habits, and associations do not pose a threat to the public interest of this state, or to the effective regulation and control of controlled gambling, or create or enhance the dangers of unsuitable, unfair, or illegal practices, methods, and activities in the conduct of controlled gambling or in the carrying on of the business

and financial arrangements incidental thereto. (c) A person that is in all other respects qualified to be licensed as provided in this chapter.”

The Commission is mandated by statute to adopt application and background information forms into regulation. B & P Code section 19841 provides part:

“The regulations adopted by the Commission shall do all of the following:

- (a) With respect to applications, registrations, investigations, and fees, regulations shall include, not be limited to, provisions that do all of the following:
 - (1) Prescribe the method and form of application and registration.
 - (2) Prescribe the information to be furnished by any applicant, licensee, or registrant concerning, as appropriate, the person’s personal history, habits, character, associated, criminal record, business activities, organizational structure, and financial affairs, past or present.
 - (3) Prescribe the information to be furnished by an owner licensee relating to the licensee’s gambling employees.
 - (4) Require fingerprinting or other methods of identification of an applicant, licensee, or employee of a licensee.
 - (5) Prescribe the manner and method of collection and payment of fees and issuance of licenses.”

This proposed regulation incorporates by reference all the forms that any person applying for a state gambling license or key employee license may be required complete to provide the Commission and the Division with the information necessary to determine suitability.

Section 12270. “Initial and Renewal License Applications; Required Forms”

This section is needed to provide the list of forms that must be completed by any individual applying for a state gambling license or key employee license. Business and Professions Code sections 19864 and 19865 prescribe much of the content of the state license application and supplemental forms.

Below is a listing of the forms required and a brief description of its necessity beyond what is already mandated by law:

- **Application for State Gambling License, CGCC-030 (Rev. 09-03).**
The information requested on this form is necessary to inform the Commission and the Division of the identity, location, and contact information of the state gambling license applicant.
- **Application for Key Employee License, CGCC-031 (Rev. 09-03).**
The information requested on this form is necessary to inform the Commission and the Division of the identity, location, contact, and employer information of the key employee license applicant.
- **Cardroom Applicant Supplemental Information for State Gambling License (DGC-APP.015A (Rev. 09-03)).**
The information requested on this form is necessary to inform the Commission and the Division of the personal history of a state gambling license applicant. The Division must perform a complete background investigation for each applicant to protect the public from criminal and corruptive elements in gambling establishments. The information is used to obtain records relevant to background investigations.
- **Cardroom Key Employee Supplemental Information for State Gambling License, DGC-APP. 016A (Rev. 09-03).**
The information requested on this form is necessary to inform the Commission and the Division of the personal history of a key employee license applicant. The Division must perform a complete background investigation for each applicant to protect the public from criminal and corruptive elements in gambling establishments. The information is used to obtain records relevant to background investigations.
- **Cardroom Applicant's Spouse Supplemental Background Information for State Gambling License, DGC-APP. 009A (Rev. 09-03).**
The information requested on this form is necessary to inform the Commission and the Division of the personal history of the spouse of a state gambling license applicant. This Division must perform a

complete background investigation for each applicant to protect the public from criminal and corruptive elements in gambling establishments. The information is used to obtain records relevant to background investigations.

- **Renewal Supplemental Information for State Gambling/Key Employee License and Instructions to Renewal Applicants, DGC-APP. 017A (Rev. 09-03).**

The information requested on this form is necessary to inform the Commission and the Division with any updated personal information for an existing state gambling licensee who is up for renewal. The Division must perform an updated background investigation for each applicant to protect the public from criminal and corruptive elements in gambling establishments. The information is used to obtain records relevant to background investigations.

- **Declaration of Full Disclosure, DGC-APP. 005 (Rev. 09-03).**

Each applicant who is or will be the sole beneficial owner of all financial interest in the gambling operation for which the applicant is applying must fill out this document. This document informs the Commission and the Division that no undisclosed person has any financial interest in that gambling operation.

- **Authorization to Release Information, DGC-APP. 006 (Rev 07-03).**

This document is used to inform outside sources that the Division has authorization to review and copy all documents necessary to perform a complete background investigation.

- **Applicant's Declaration, Acknowledgment and Agreement (Community Property Interest), DGC-APP. 011 (Rev 07-03).**

This document is used to inform the Division that the applicant's spouse has a financial interest in the gambling establishment. When this form is submitted with an application, the Division knows that it must request that the applicant's spouse complete all of the forms designed to retrieve information necessary to perform a full background investigation on the applicant's spouse.

- **Applicant's Declaration, Acknowledgment and Agreement (Sole and Separate Property), DGC-APP. 012 (Rev 07-03).**
 This document is used to inform the Division that the spouse of a married applicant has no financial interest in the gambling establishment. This changes the way the Division performs the background investigation because in this situation a background investigation does not need to be done on the spouse.
- **Spouse's Declaration, Acknowledgment and Agreement (Community Property Interest), DGC-APP. 013 (Rev 07-03).**
 This document serves as the declaration of the applicant's spouse informing the Division of his or her financial interest in the gambling establishment.
- **Spouse's Declaration, Acknowledgment and Agreement (Sole and Separate Property), DGC-APP. 014 (Rev 07-03).**
 This document serves as the declaration of the applicant's spouse informing the Division that he or she does not have a financial interest in the gambling establishment.
- **Report of Annual Gross Revenues DGC-APP. 018 (Rev. 09-03).**
 According to B & P Code section 19951 the fee for the renewal of a state gambling license shall be based upon either authorized tables or annual gross revenue whichever is greater, therefore this form is necessary to gather the annual gross revenue for each gambling establishment. The Division can then use this report to determine which amount is greater and calculate the annual renewal fee.
- **Declaration of Compliance With The Requirement for Public Notice of Application for a Gambling License, DGC-LIC. 100 (Rev. 07-03).**
 This document informs the Commission and the Division that the applicant has complied with the public notice requirements contained in CCR, Title 11, section 2034.
- **Instructions for Public Notice of an Application for a Gambling Establishment License, DGC-LIC. 102 (Rev. 07-03).**
 This document provides information to an applicant for licensure of a proposed gambling establishment, or an existing gambling

establishment that is requesting expansion on the public notice requirements contained in CCR, Title 11, section 2034.

- **Public Notice of An Application for a Gambling Establishment License, DGC-LIC. 102A (Rev. 7-03).**

This document is the notice that must be provided to every resident and owner of real property within the required radius of the premises of the proposed gambling establishment or expansion. This notice contains the name and location of the gambling establishment and advises the recipient that they may protest the proposed establishment or expansion by submitting comments to the Division.

- **Appointment of Designated Agent, DGC-APP. 008 (Rev. 09-03).**

CCR, Title 11, section 2030 allows an applicant or a licensee to designate one or more persons to serve as their agent. This form serves as the appointment of an individual to act as the designated agent and provides all the necessary information as to that agent's role and responsibility, as well as providing contact information for the Division.

- **Employee Work Permit Certification, DGC-APP. 019 (Rev. 09-03).**

Pursuant to Business and Professions Code section 19923, the Commission shall not issue a state gambling license until the applicant has submitted to the Division a certification that all gambling enterprise employees of the gambling establishment possess a valid work permit. This form must be submitted by the owner licensee or designated agent of the gambling establishment certifying that all gambling enterprise employees of the gambling establishment either hold a valid gambling enterprise employee work permit issued in accordance with the city ordinance or a valid gambling enterprise employee work permit issued by the Commission.

- **Key Employee Report, DGC-LIC. 101(Rev. 07-03).**

CCR, Title 11, section 2060 requires that twice a year each owner licensee submit a report identifying its key employees on this form.

- **Instructions to Applicants, DGC-APP. 007 (Rev. 09-03).**

This document provides the applicants with a list of all the forms and documentation that must be provided to the Commission with the application for a state gambling license.

- **Instructions to Applicant's Spouse, DGC-APP .010 (Rev. 09/03).**
This document provides the spouses of the applicants with a list of all the forms and documentation that must be provided to the Commission with a spouse's application for a state gambling license as an owner.
- **Notice to Applicants, DGC-APP. 001 (Rev. 09-03).**
This notice informs the applicant of his or her rights and responsibilities during the state gambling licensing process.
- **Request for Live Scan Service (California Department of Justice Form BCII 8016, Rev. 4/01).**
This document is proof that the applicant has submitted fingerprints for a criminal background check.
- **Request for Copy of Personal Income Tax or Fiduciary Return, FTB-3516C1 (rev. 06/03 side 1-PIT).**
This form is necessary for the release of the applicant's confidential personal income tax return to the Division for income verification.
- **Request for Copy of Bank and Corporation, Partnership or Limited Liability Company Return FTB-3516C1 (Rev. 06/03 side 2-CORP).**
This form is necessary for release of the state gambling license applicant's corporate, partnership, or LLC tax return to the Division.
- **Tax Information Authorization (IRS 8821, Rev. 01/00).**
This form is necessary for release of the applicant's confidential federal tax information to the Division for income verification.

Section 12271. Processing Times – Initial applications

Subsection (a) establishes processing times for gambling and key employee license applications in order to ensure timely processing of applications.

Subsection (a)(1) requires the Commission to notify an applicant within 20 days after receipt of an application that the application is complete or that more information needs to be submitted. Twenty days allows enough time to perform the necessary administrative tasks, while at the same time ensuring a prompt response to the applicant. In order for an application to be processed by the Commission and sent to the Division in a timely fashion it is important that the application be complete when submitted by the applicant. This section assists in accomplishing this by informing the applicant of what needs to be submitted in conjunction with the application for it to be considered complete.

Subsection (a)(2) requires the Commission to forward each application and the supplement information within 10 days of determination that the application is complete. Ten days allows enough time for the Commission to perform the necessary administrative tasks, while at the same time ensuring timely transmission to the Division for it to begin the background investigation.

Subsection (a)(3) requires the Division to notify the applicant within 30 days of receiving the application and supplemental information from the Commission that the supplemental information is complete. The supplemental information package is a substantial document and 30 days allows the Division enough time to review the information for completeness.

Subsection (a)(4) requires the Division to submit its recommendation to the Commission within 180 days after receipt of a completed application and completed supplemental information. However, if the Division has not completed its investigation within 180 days, then the Division is required to notify the applicant and the Commission and provide as estimated date that the investigation will be concluded. This subsection is necessary to ensure that the background investigation is performed in a timely manner and that any delays must be reported to the applicant and the Commission.

Subsection (a)(5) requires the Commission to grant or deny an application with 120 days after receipt of the Division recommendation. However if additional time is needed, the applicant must be notified. This subsection is necessary to ensure that the Commission reviews the Division's recommendation in a timely manner and that if the Commission needs an additional 30 days to review the applicant must be notified.

Subsection (b) allows the processing times to be extended under certain circumstances. This subsection is necessary because occasional delays occur and this provides an orderly mechanism for response.

Subsection (b)(1) requires the applicant to agree to an extension of time. This allows the applicant to have a say in whether the applicant want the processing of an application delayed or whether the applicant wants to risk a possible denial because some information may not have been confirmed.

Subsection (b)(2) allows an extension of time for application processing if there has been an abundance of applications received. This is necessary to ensure that the Commission and the Division have enough time to carefully review each application.

Subsection (b)(3) allows the Commission to delay action on an application if it is relying on an outside source to provide some necessary information. This subsection is necessary because in a situation like this obtaining the information is out of the Commission's control.

Section 12272. Processing Times – Renewal applications

Subsection (a) establishes processing times for gambling and key employee license applications in order to ensure timely processing of renewal applications. The processing times contained in this section are shorter than those contain in Section 12271 because an exhaustive review and background investigation must be performed on an initial applicant as opposed to a brief updated investigation on a renewal applicant.

Subsection (a)(1) is necessary to ensure that the Commission and the Division receives the renewal application in enough time to review and make a determination prior to the expiration of the existing license.

Subsection (a)(2) requires the Commission to notify an applicant within 10 days after receipt of a renewal application that the application is complete or that more information needs to be submitted. Ten days allows enough time to perform the necessary administrative tasks, while at the same time ensuring a prompt response to the applicant. In order for an application to be processed by the Commission and sent to the Division in a timely fashion it is important that the application be complete when submitted by the applicant. This section assists in accomplishing this by informing the

applicant of what needs to be submitted in conjunction with the application for it to be considered complete.

Subsection (a)(3) requires the Commission to forward each renewal application and the supplemental information within 5 days of determination that the application is complete. Five days allows enough time for the Commission to perform the necessary administrative tasks, while at the same time ensuring timely transmission to the Division for it to begin the background investigation.

Subsection (a)(4) requires the Division to submit its recommendation to the Commission no later than 45 days prior to the expiration of the current license. This allows the Commission enough time to review the Division's recommendation so that when the renewal is going to be granted the license does not lapse.

Subsection (b) allows the processing times to be extended under certain circumstances. This subsection is necessary because occasional delays occur and this provides an orderly mechanism for response.

Subsection (b)(1) requires the applicant to agree to an extension of time. This allows the applicant to have a say in whether the applicant wants the processing of an application delayed or whether the applicant wants to risk a possible denial because some information may not have been confirmed.

Subsection (b)(2) allows an extension of time for application processing if there has been an abundance of applications received. This is necessary to ensure that the Commission and the Division have enough time to carefully review each application.

Subsection (b)(3) allows the Commission to delay action on an application if it is relying on an outside source to provide some necessary information. This subsection is necessary because in a situation like this obtaining the information is out of the Commission's control.

Technical, Theoretical, or Empirical Studies, Reports, or Documents

The Commission did not rely upon any technical, theoretical, or empirical studies, reports, or documents in proposing the above-noted regulations.

Reasonable Alternatives to the Proposed Actions

The Commission has not identified any reasonable alternatives to the proposed actions.

Reasonable Alternatives to the Proposed Regulatory Action That Would Lessen Any Adverse Impact on Small Business.

The Commission has not identified any reasonable alternatives that would lessen the impact on small business.